



TOWNSHIP OF CLYDE  
St. Clair County, Michigan  
74-1070  
FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

RECEIVED  
DEPT. OF TREASURY

JAN 03 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Clyde	<b>LOCAL AUDIT &amp; FINANCE DIV.</b>	<b>County</b> St. Clair
<b>Audit Date</b> June 30, 2004	<b>Opinion Date</b> November 19, 2004	<b>Date Accountant Report Submitted to State:</b> November 19, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

November 19, 2004

To the Township Board  
Township of Clyde  
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities and business-type activities and each major fund of Township of Clyde, St. Clair County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Clyde's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Clyde, St. Clair County, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable of those activities and funds, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2004, on our consideration of the Township of Clyde's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Township of Clyde covers the Township's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2004, totaled \$1,692,416.32 for government activities and \$3,896,313.73 for business activities (water). Overall total capital assets remained approximately the same.

Overall revenues were \$1,344,970.80 (\$779,838.28 from government activities and \$565,132.52 from business-type activities). Government activities had a \$3,356.87 increase in net assets with major road improvements of \$250,000.00 and a loss of 5% (\$22,000.00) in revenue sharing. Business activities had a increase in net assets of \$191,815.94 which included \$77,398.00 in depreciation.

Taxable value increased by approximately \$10,000,000.00 or 7%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Inspection Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Current Tax Collection Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, the Inspection Fund, and the Cemetery Perpetual Care Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we paved a subdivision at a cost of \$180,000.00 through a special assessment district and financed it internally. We did an extension of water service through a special assessment district at a cost of \$136,000.00 and financed it internally. We purchased approximately \$50,000.00 in Fire Department equipment and paid cash for it.

We continue to prepay our FmHA water loans as prepaid assessments come in. Our original 40 year loans taken out in 1993/94 of \$4,000,000.00 is now down below \$1,000,000.00. We did not do any water rate increases this year.

Our cash position in both the governmental and business-type activities remain strong.

Our external debt has one year left at approximately \$12,000.00 for a fire truck and approximately \$1,000,000.00 in FmHA loans and bonds for the water department.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$256,031.54. The Water Fund incurred \$77,398.00 in depreciation expense and \$248,241.68 in other operating expenses.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$75,322.93 in capital assets.

The Township's business-type activities invested \$25,624.50 in capital assets.

The Township's governmental activities paid \$10,706.81 of principal on the contract payable.

The Township's business-type activities paid \$135,900.00 of principal on the water bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 54% of our income. We continue to grow at a 7% rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 3350 Vincent Road, Clyde, Michigan or by calling during the hours of 8:30 AM and 4:00 PM at 810-985-7258.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Petty cash	1 100 00	-	1 100 00
Cash in bank	719 446 23	402 721 71	1 122 167 94
Cash in bank – restricted	-	253 948 92	253 948 92
Investments	25 012 98	-	25 012 98
Accounts receivable	10 080 72	4 609 07	14 689 79
Special assessments receivable	140 808 70	-	140 808 70
Special assessments receivable – restricted	-	1 058 810 80	1 058 810 80
Due from State of Michigan	63 543 00	-	63 543 00
Internal balances	<u>190 950 44</u>	<u>(190 950 44)</u>	<u>-</u>
Total Current Assets	<u>1 150 942 07</u>	<u>1 529 140 06</u>	<u>2 680 082 13</u>
<b>NONCURRENT ASSETS:</b>			
Capital Assets	1 131 222 14	3 776 965 05	4 908 187 19
Less: Accumulated Depreciation	<u>(386 723 78)</u>	<u>(710 221 85)</u>	<u>(1 096 945 63)</u>
Total Noncurrent Assets	<u>744 498 36</u>	<u>3 066 743 20</u>	<u>3 811 241 56</u>
<b>TOTAL ASSETS</b>	<u><u>1 895 440 43</u></u>	<u><u>4 595 883 26</u></u>	<u><u>6 491 323 69</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	8 682 97	43 914 51	52 597 48
Deposits payable	27 123 00	1 950 00	29 073 00
Accrued interest payable	-	4 700 00	4 700 00
Deferred revenue	<u>140 808 70</u>	<u>-</u>	<u>140 808 70</u>
Total Current Liabilities	<u>176 614 67</u>	<u>50 564 51</u>	<u>227 179 18</u>
<b>NONCURRENT LIABILITIES:</b>			
Contract payable	23 446 44	-	23 446 44
Bonds payable	-	645 798 00	645 798 00
Accrued compensated absences	<u>2 963 00</u>	<u>3 207 02</u>	<u>6 170 02</u>
Total Noncurrent Liabilities	<u>26 409 44</u>	<u>649 005 02</u>	<u>675 414 46</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	1 127 495 63	2 416 245 20	3 543 740 83
Reserved for cemetery	16 000 00	-	16 000 00
Restricted for debt service	-	1 312 759 72	1 312 759 72
Restricted for capital improvements	200 000 00	-	200 000 00
Unrestricted	<u>348 920 69</u>	<u>167 308 81</u>	<u>516 229 50</u>
Total Net Assets	<u>1 692 416 32</u>	<u>3 896 313 73</u>	<u>5 588 730 05</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1 895 440 43</u></u>	<u><u>4 595 883 26</u></u>	<u><u>6 491 323 69</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CLYDE  
St. Clair County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	49 791 77	-	(49 791 77)
General government	255 931 99	140 815 95	(115 116 04)
Public safety	169 594 07	24 860 72	(144 733 35)
Public works	269 229 16	38 814 91	(230 414 25)
Health and welfare	6 351 00	5 821 66	(529 34)
Recreation and culture	23 465 93	21 042 63	(2 423 30)
Interest on long-term debt	2 117 49	-	(2 117 49)
Total Governmental Activities	<u>776 481 41</u>	<u>231 355 87</u>	<u>(545 125 54)</u>
Business Type Activities:			
Water	<u>373 316 58</u>	<u>274 288 35</u>	-
Total Business Type Activities	<u>373 316 58</u>	<u>274 288 35</u>	-
Total Government	<u><u>1 149 797 99</u></u>	<u><u>505 644 22</u></u>	<u><u>(545 125 54)</u></u>
General Revenues:			
Property taxes			128 906 76
State revenue sharing			383 434 00
Interest			16 281 61
Special assessments			-
Miscellaneous			<u>19 860 04</u>
Total General Revenues			<u>548 482 41</u>
Change in net assets			3 356 87
Net assets, beginning of year			<u>1 689 059 45</u>
Net Assets, End of Year			<u><u>1 692 416 32</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(49 791 77)
-	(115 116 04)
-	(144 733 35)
-	(230 414 25)
-	(529 34)
-	(2 423 30)
-	(2 117 49)
<u>-</u>	<u>(545 125 54)</u>
<u>(99 028 23)</u>	<u>(99 028 23)</u>
<u>(99 028 23)</u>	<u>(99 028 23)</u>
<u>(99 028 23)</u>	<u>(644 153 77)</u>
-	128 906 76
-	383 434 00
87 600 13	103 881 74
203 244 04	203 244 04
-	19 860 04
<u>290 844 17</u>	<u>839 326 58</u>
191 815 94	195 172 81
<u>3 704 497 79</u>	<u>5 393 557 24</u>
<u><u>3 896 313 73</u></u>	<u><u>5 588 730 05</u></u>

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2004

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Petty cash	1 100 00	-	1 100 00
Cash in bank	649 095 33	70 350 90	719 446 23
Investments	25 012 98	-	25 012 98
Accounts receivable	10 080 72	-	10 080 72
Special assessments receivable	140 808 70	-	140 808 70
Due from State of Michigan	63 543 00	-	63 543 00
Internal balances	<u>193 398 26</u>	<u>(2 447 82)</u>	<u>190 950 44</u>
Total Assets	<u>1 083 038 99</u>	<u>67 903 08</u>	<u>1 150 942 07</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	8 682 97	-	8 682 97
Deposits payable	27 123 00	-	27 123 00
Deferred revenue	<u>140 808 70</u>	<u>-</u>	<u>140 808 70</u>
Total liabilities	<u>176 614 67</u>	<u>-</u>	<u>176 614 67</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	16 000 00	16 000 00
Unreserved:			
Restricted for capital improvements	200 000 00	-	200 000 00
Unrestricted	<u>706 424 32</u>	<u>51 903 08</u>	<u>758 327 40</u>
Total fund equity	<u>906 424 32</u>	<u>67 903 08</u>	<u>974 327 40</u>
Total Liabilities and Fund Equity	<u>1 083 038 99</u>	<u>67 903 08</u>	<u>1 150 942 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	974 327 40
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 131 222 14
Accumulated depreciation	(386 723 78)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Contract payable	(23 446 44)
Accrued compensated absences	<u>(2 963 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 692 416 32</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	128 906 76	-	128 906 76
Licenses and permits	21 556 43	67 030 00	88 586 43
State revenue sharing	383 434 00	-	383 434 00
Charges for services	103 954 53	-	103 954 53
Interest	16 003 71	277 90	16 281 61
Special assessments	38 814 91	-	38 814 91
Miscellaneous	19 860 04	-	19 860 04
Total revenues	<u>712 530 38</u>	<u>67 307 90</u>	<u>779 838 28</u>
Expenditures:			
Legislative:			
Township Board	49 791 77	-	49 791 77
General government:			
Supervisor	22 404 27	-	22 404 27
Elections	749 06	-	749 06
Assessor	28 549 58	-	28 549 58
Clerk	28 361 10	-	28 361 10
Board of Review	1 193 75	-	1 193 75
Treasurer	31 620 55	-	31 620 55
Building and grounds	18 585 08	-	18 585 08
Cemetery	4 619 84	-	4 619 84
Unallocated	103 289 34	-	103 289 34
Public safety:			
Fire department	58 774 09	-	58 774 09
Protective inspection	-	75 295 66	75 295 66
Planning Commission	17 536 76	-	17 536 76
Zoning	548 00	-	548 00
Public works:			
Roads	256 031 54	-	256 031 54
Street lighting	9 849 22	-	9 849 22
Health and welfare:			
Ambulance	6 351 00	-	6 351 00
Recreation and culture:			
Recreation	10 299 26	-	10 299 26
Capital outlay	72 515 00	2 807 93	75 322 93
Debt service	12 824 30	-	12 824 30
Total expenditures	<u>733 893 51</u>	<u>78 103 59</u>	<u>811 997 10</u>
Excess (deficiency) of revenues over expenditures	<u>(21 363 13)</u>	<u>(10 795 69)</u>	<u>(32 158 82)</u>
Other financing sources (uses):			
Operating transfers in (out)	277 90	(277 90)	-
Total other financing sources (uses)	<u>277 90</u>	<u>(277 90)</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

Excess (deficiency) of revenues and other sources over expenditures and other uses	(21 085 23)	(11 073 59)	(32 158 82)
Fund balances, July 1	<u>927 509 55</u>	<u>78 976 67</u>	<u>1 006 486 22</u>
Fund Balances, June 30	<u><u>906 424 32</u></u>	<u><u>67 903 08</u></u>	<u><u>974 327 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (32 158 82)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(50 514 05)
Capital Outlay	75 322 93

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>10 706 81</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>3 356 87</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

STATEMENT OF NET ASSETS – BUSINESS TYPE FUNDS  
June 30, 2004

	<u>Water Fund</u>
<u>Assets</u>	
Cash in bank	402 721 71
Cash in bank – restricted	253 948 92
Accounts receivable	4 609 07
Special assessments receivable – restricted	1 058 810 80
Internal balances	(190 950 44)
Water system	3 776 965 05
Accumulated depreciation	(710 221 85)
Total Assets	<u>4 595 883 26</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	43 914 51
Deposits payable	1 950 00
Bonds payable	645 798 00
Accrued interest payable	4 700 00
Accrued compensated absences	3 207 02
Total liabilities	<u>699 569 53</u>
Net assets:	
Invested in Capital Assets, Net of Related Debt	2 416 245 20
Restricted for debt service	1 312 759 72
Unrestricted	167 308 81
Total net assets	<u>3 896 313 73</u>
Total Liabilities and Net Assets	<u>4 595 883 26</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CLYDE  
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUSINESS TYPE FUNDS  
Year ended June 30, 2004

	<u>Water Fund</u>
Operating revenues:	
Charges for services	268 670 01
Miscellaneous	<u>5 618 34</u>
Total operating revenues	<u>274 288 35</u>
Operating Expenses:	
Public works:	
Wages	64 230 19
Fringe benefits	12 723 61
Supplies	7 469 38
Contracted services	4 056 25
Insurance	5 062 00
Cost of water	137 297 87
Repairs and maintenance	11 404 35
Miscellaneous	<u>5 998 03</u>
Total operating expenses	<u>248 241 68</u>
Operating income before depreciation	26 046 67
Less: depreciation	<u>(77 398 00)</u>
Operating income (loss)	<u>(51 351 33)</u>
Non-operating income (expense):	
Interest earnings	87 600 13
Special assessments	203 244 04
Interest expense	<u>(47 676 90)</u>
Total Non-operating income (expense)	<u>243 167 27</u>
Change in net assets	191 815 94
Net assets, beginning of year	<u>3 704 497 79</u>
Net Assets, End of Year	<u><u>3 896 313 73</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS TYPE FUNDS  
Year ended June 30, 2004

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	285 062 79
Cash payments to suppliers for goods and services	(201 547 14)
Cash payments to employees for services	(64 230 19)
Other income	<u>5 618 34</u>
Net cash provided (used) by operating activities	<u>24 903 80</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(25 624 50)
Collection of special assessments	190 657 08
Principal paid on long-term debt	(135 900 00)
Interest paid on long-term debt	<u>(47 676 90)</u>
Net cash provided (used) for capital and related financing activities	<u>(18 544 32)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>87 600 13</u>
Net cash provided (used) for investing activities	<u>87 600 13</u>
Net increase (decrease) in cash	93 959 61
Cash beginning of year	<u>562 711 02</u>
Cash End of Year	<u><u>656 670 63</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES:	
Operating income (loss)	(51 351 33)
Depreciation	77 398 00
Increase (decrease) in assets and liabilities:	
Accounts receivable	16 392 78
Accounts payable	(16 592 67)
Accrued expenses	<u>(942 98)</u>
Net Cash Provided (Used) for Operating Activities	<u><u>24 903 80</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Clyde, St. Clair County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Clyde. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is a permanent fund that reports resources that are restricted in that only earnings may be used for cemetery care.

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as revenues the tap fees and assessments intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9639 mills, and the taxable value was \$132,852,422.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	4-15 years
Buildings and improvements	15-40 years
Equipment and vehicles	4-30 years

Compensated Absences (Vacation and Sick Leave)

Township employees are allowed to accumulate vacation and sick pay and the accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$744,498.36.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 376 116 86</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	318 936 36
Uninsured and Uncollateralized	<u>1 062 719 78</u>
Total Deposits	<u>1 381 656 14</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution				
Pooled Funds				<u>25 012 98</u>
Total Investments				<u>25 012 98</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 7/1/03	Additions	Deletions	Balance 6/30/04
<u>Governmental Activities:</u>				
Land and improvements	387 424 10	37 515 00	-	424 939 10
Buildings and improvements	244 153 72	-	-	244 153 72
Equipment and vehicles	424 321 39	37 807 93	-	462 129 32
Total	1 055 899 21	75 322 93	-	1 131 222 14
Accumulated Depreciation	(336 209 73)	(50 514 05)	-	(386 723 78)
Net Governmental Capital Assets	<u>719 689 48</u>	<u>24 808 88</u>	<u>-</u>	<u>744 498 36</u>
<u>Business-Type Activities:</u>				
Water System	3 751 340 55	25 624 50	-	3 776 965 05
Accumulated Depreciation	(632 823 85)	(77 398 00)	-	(710 221 85)
Net Business Type Capital Assets	<u>3 118 516 70</u>	<u>(51 773 50)</u>	<u>-</u>	<u>3 066 743 20</u>

**Note 5 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	199 683 06	Current Tax Collection	6 284 80
		Water	190 950 44
		Inspection	2 447 82
Total	<u>199 683 06</u>	Total	<u>199 683 06</u>

**Note 6 – Deferred Compensation**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employee to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account or annuity contract exists, assets are owned or held by the trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors, nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designed beneficiaries.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. The Township believes it has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.



TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**Note 7 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
Accrued compensated absences	3 160 00	-	197 00	2 963 00
Contract payable	34 153 25	-	10 706 81	23 446 44
Water bonds payable	<u>781 698 00</u>	<u>-</u>	<u>135 900 00</u>	<u>645 798 00</u>
Total	<u>819 011 25</u>	<u>-</u>	<u>146 803 81</u>	<u>672 207 44</u>

**Note 8 – Contract Payable – Capital Lease**

On October 5, 1995, the Township of Clyde entered into a lease purchase agreement to finance the acquisition of a fire truck in the amount of \$119,500.00. The lease agreement qualified as a capital lease for accounting purposes (agreement provided for either title transfer or bargain purchase option at end of the lease terms) and, therefore, has been recorded at present value of future minimum lease payments as of the date of its inception. Commitment under the lease agreement provides for minimum annual payments as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2005	12 824 30
2006	<u>12 824 30</u>
Total lease payments	25 648 60
Amount representing interest	<u>(2 202 16)</u>
Present value of minimum lease payments	<u>\$23 446 44</u>

**Note 9 – Water Bonds Payable**

The following is a summary of changes in the Water Fund bonds payable for the fiscal year ended June 30, 2004:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
<b><u>Water Fund</u></b>				
Special Assessment Bonds Payable:				
1994 FmHA Water Bonds	623 563 00	-	118 000 00	505 563 00
1995 Special FmHa Water Bonds	73 135 00	-	7 900 00	65 235 00
1999 Special Assessment Water Bonds	<u>85 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>75 000 00</u>
Total	<u>781 698 00</u>	<u>-</u>	<u>135 900 00</u>	<u>645 798 00</u>

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 9 – Water Bonds Payable (continued)

Significant details regarding outstanding Water Fund bonds payable are presented as follows:

Bonds Payable

In 1994, the Township entered into an agreement with the FmHA for the issuance of \$2,726,000.00 of bonds to construct water system extension lines to service a portion of the Township residents.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The Township paid an additional \$47,000.00 in principal payments during the year ended June 30, 2004.

The bonds are due in annual installments of \$72,000.00 through June 1, 2032, plus 5.625% interest, payable semi-annually.

As of June 30, 2004, the principal balance outstanding was \$505,563.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
6-1-05	72 000 00
6-1-06	72 000 00
6-1-07	72 000 00
6-1-08	72 000 00
6-1-09	72 000 00
6-1-10	72 000 00
6-1-11	72 000 00
6-1-12	<u>1 563 00</u>
Total	<u>\$505,563.00</u>

In 1994, the Township entered into an agreement with FmHA for the issuance of \$306,995.00 of bonds to construct water service extension lines to service a portion of the Township residents. The amount actually borrowed after return of excess draw was \$277,300.00.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The bonds are due in annual installments of \$7,900.00 through October 1, 2023, and \$5,800.00 on October 1, 2024, plus 5.50% interest payable semi-annually.

As of June 30, 2004, the principal balance outstanding was \$65,235.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
10-1-04	7 900 00
10-1-05	7 900 00
10-1-06	7 900 00

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 9 – Water Bonds Payable (continued)

<u>Due Date</u>	<u>Principal Amount</u>
10-1-07	7 900 00
10-1-08	7 900 00
10-1-09	7 900 00
10-1-10	7 900 00
10-1-11	7 900 00
10-1-12	<u>2 035 00</u>
Total	<u><u>\$65,235.00</u></u>

In 1999, the Township entered into an agreement for the issuance of \$180,000 of bonds to construct water system extension lines to service a portion of the Township residents.

The principal and interest on the bonds are to be paid from special assessments levied on the residents of the Township who are serviced by extension lines.

The bonds are due in annual installments of \$10,000 through July 1, 2017, plus 5.50-6.00% interest, payable semi-annually.

As of June 30, 2004, the principal balance outstanding was \$75,000.00 and it is due as follows:

<u>Due Date</u>	<u>Principal Amount</u>
7-1-05	10 000 00
7-1-06	10 000 00
7-1-07	10 000 00
7-1-08	10 000 00
7-1-09	10 000 00
7-1-10	10 000 00
7-1-11	10 000 00
7-1-12	<u>5 000 00</u>
Total	<u><u>\$75,000.00</u></u>

Note 10 – Pension Plan

The Township does not have a pension plan.

Note 11 – Budget Variances

For the fiscal year ended June 30, 2004, Township expenditures exceeded the budgeted amounts in an activity as follows:

	<u>Budget</u>	<u>Total Expenditures</u>	<u>Total Expenditures</u>
Inspection Fund Activity:			
Protective Inspection	74 960 00	75 295 66	335 66

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 12 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 13 – Transfers In and Transfers Out

For the fiscal year ended June 30, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>277 90</u>	Cemetery Perpetual Care	<u>277 90</u>

Note 14 – Building Permits

As of June 30, 2004, the Township had building permit revenues of \$67,030.00 and building permit expenses of \$78,103.59.

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	125 100 00	125 100 00	128 906 76	3 806 76
Licenses and permits	22 990 00	22 990 00	21 556 43	(1 433 57)
State revenue sharing	390 100 00	390 100 00	383 434 00	(6 666 00)
Charges for services	59 700 00	59 700 00	103 954 53	44 254 53
Interest	21 000 00	21 000 00	16 003 71	(4 996 29)
Special assessments	12 200 00	12 200 00	38 814 91	26 614 91
Miscellaneous	26 242 63	26 242 63	19 860 04	(6 382 59)
Total revenues	657 332 63	657 332 63	712 530 38	55 197 75
Expenditures:				
Legislative:				
Township Board	54 414 00	54 614 00	49 791 77	(4 822 23)
General government:				
Supervisor	23 200 00	23 200 00	22 404 27	(795 73)
Elections	6 180 00	6 180 00	749 06	(5 430 94)
Assessor	32 120 00	32 120 00	28 549 58	(3 570 42)
Clerk	31 100 00	31 100 00	28 361 10	(2 738 90)
Board of Review	1 500 00	1 500 00	1 193 75	(306 25)
Treasurer	34 925 00	34 925 00	31 620 55	(3 304 45)
Building and grounds	29 700 00	29 800 00	18 585 08	(11 214 92)
Cemetery	28 300 00	28 300 00	4 619 84	(23 680 16)
Unallocated	128 700 00	129 350 00	103 289 34	(26 060 66)
Public safety:				
Fire department	61 675 70	61 675 70	58 774 09	(2 901 61)
Planning Commission	28 800 00	28 800 00	17 536 76	(11 263 24)
Zoning	2 500 00	2 500 00	548 00	(1 952 00)
Public works:				
Drains	1 500 00	1 500 00	-	(1 500 00)
Roads	230 000 00	429 420 00	256 031 54	(173 388 46)
Street lighting	12 000 00	12 000 00	9 849 22	(2 150 78)
Health and welfare:				
Ambulance	8 000 00	8 000 00	6 351 00	(1 649 00)
Recreation and culture:				
Recreation	39 043 00	15 843 00	10 299 26	(5 543 74)
Capital outlay	51 400 00	94 600 00	72 515 00	(22 085 00)
Debt service	24 024 30	24 024 30	12 824 30	(11 200 00)
Total expenditures	829 082 00	1 049 452 00	733 893 51	(315 558 49)
Excess (deficiency) of revenues over expenditures	(171 749 37)	(392 119 37)	(21 363 13)	370 756 24
Other financing sources (uses):				
Operating transfers in	-	-	277 90	277 90
Total other financing sources (uses)	-	-	277 90	277 90

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(171 749 37)	(392 119 37)	(21 085 23)	371 034 14
Fund balance, July 1	<u>171 749 37</u>	<u>392 119 37</u>	<u>927 509 55</u>	<u>535 390 18</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>906 424 32</u>	<u>906 424 32</u>

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2004

	<u>Balance</u> <u>7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<u>Assets</u>				
Cash in Bank	<u>13 835 10</u>	<u>2 983 102 43</u>	<u>2 985 402 92</u>	<u>11 534 61</u>
<u>Liabilities</u>				
Due to other funds	7 521 95	184 505 79	185 742 94	6 284 80
Due to others	<u>6 313 15</u>	<u>2 798 596 64</u>	<u>2 799 659 98</u>	<u>5 249 81</u>
Total Liabilities	<u>13 835 10</u>	<u>2 983 102 43</u>	<u>2 985 402 92</u>	<u>11 534 61</u>

TOWNSHIP OF CLYDE  
St. Clair County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended June 30, 2004

Cash on hand and in bank – beginning of year	<u>13 835 10</u>
Cash receipts:	
Property tax	2 950 747 96
Property tax administration fees	30 750 02
Interest	<u>1 604 45</u>
Total cash receipts	<u>2 983 102 43</u>
Total beginning balance and cash receipts	<u>2 996 937 53</u>
Cash disbursements:	
Township General Fund	174 907 14
Township Water Fund	10 835 80
Port Huron Area Schools	419 847 24
Yale Area Schools	138 340 95
St. Clair County	2 199 107 37
Refunds	<u>42 364 42</u>
Total cash disbursements	<u>2 985 402 92</u>
Cash on Hand and in Bank – End of Year	<u><u>11 534 61</u></u>



# CAMPBELL, KUSTERER & CO., P.C.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 19, 2004

To the Township Board  
Township of Clyde  
St. Clair County, Michigan

We have audited the financial statements of the Township of Clyde, St. Clair County, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Township of Clyde's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of non-compliance that is required to be reported under Government Auditing Standards. For the fiscal year ended June 30, 2004, actual expenditures exceeded the budgeted amount in an Inspection Fund activity.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Clyde's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal over the financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted an inadequate control over cash transactions caused by an inherent lack of segregation of duties which is due to the limited number of office personnel employed involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Campbell, Kusterer & Co., P.C.*

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

November 19, 2004

To the Township Board  
Township of Clyde  
St. Clair County, Michigan

We have audited the financial statements of the Township of Clyde for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Clyde in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Clyde  
St. Clair County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Clyde began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board  
Township of Clyde  
St. Clair County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants